

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT

LAPEER, MICHIGAN

AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2005

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Report of Independent Accountants	I
Management’s Discussion and Analysis	II - X
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Notes to the Financial Statements	6 – 16
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	17
Special Education Fund	18
Vocational Education Fund	19
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	21
Combining Balance Sheet – Debt Retirement Fund	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Fund	23

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	24
Schedule 2 - General Fund - Schedule of Expenditures	25 – 27
Schedule 3 – Special Education Fund - Schedule of Revenues	28
Schedule 4 – Special Education Fund - Schedule of Expenditures	29 – 30
Schedule 5 – Vocational Education Fund - Schedule of Revenues	31
Schedule 6 – Vocational Education Fund - Schedule of Expenditures	32 – 34
Schedule 7 – Cooperative Education Fund - Schedule of Revenues	35
Schedule 8 – Cooperative Education Fund - Schedule of Expenditures	36
Other Supplemental Schedules:	
Schedule 9 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	37
Schedule 10 - Schedule of Bond Principal and Interest Requirements	38



*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 31, 2005

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Lapeer County Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lapeer County Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 31, 2005 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - X and 17 - 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lapeer County Intermediate School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf, P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

---

Lapeer Intermediate School District, located in Lapeer County, Michigan, is in its third year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Lapeer Intermediate School District's administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Vocational Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

---

**District Wide Financial Statements:** (Continued)

These two statements report the Lapeer Intermediate School District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services. Property taxes, unrestricted State aid, and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

**NET ASSETS SUMMARY**

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
Current Assets	\$7,493,325	\$7,051,461
Non-Current Assets	<u>6,889,541</u>	<u>6,497,864</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$14,382,866</u></b>	<b><u>\$13,549,325</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	\$1,184,931	\$999,330
Long-Term Liabilities	<u>1,768,892</u>	<u>2,060,975</u>
Total Liabilities	\$2,953,823	\$3,060,305
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets - Net of Related Debt	5,412,938	4,826,261
Restricted for Debt Service	145,100	76,124
Unrestricted	<u>5,871,005</u>	<u>5,586,635</u>
Total Net Assets	<u>\$11,429,043</u>	<u>\$10,489,020</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$14,382,866</u></b>	<b><u>\$13,549,325</u></b>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2005 and 2004, the District wide results of operations were:

	<u>2005</u>	<u>2004</u>
<b><u>REVENUES</u></b>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$366,368	\$382,154
Property Taxes Levied for Special Education Operations	1,932,061	1,846,861
Property Taxes Levied for Vocational Education Operations	4,344,089	4,076,332
Property Taxes Levied for Debt Service	322,400	285,283
State of Michigan Unrestricted Aid	895,285	1,018,153
Other General Revenues	543,490	390,878
Total General Revenues	<u>\$8,403,693</u>	<u>\$7,999,661</u>
<u>Operating Grants:</u>		
Federal	3,504,015	2,800,723
State of Michigan	1,110,091	936,176
Other Grants	374,603	517,058
Total Operating Grants	<u>\$4,988,709</u>	<u>\$4,253,957</u>
<u>Charges for Services:</u>		
General Fund	449,555	505,113
Special Education Fund	195,173	147,450
Vocational Education Fund	83,349	248,434
Cooperative Education Fund	11,898	16,279
Total Charges for Services	<u>\$739,975</u>	<u>\$917,276</u>
Total Revenues	<u>\$14,132,377</u>	<u>\$13,170,894</u>
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	4,179,724	4,006,682
Support Services	8,483,583	7,560,795
Community Services	266,105	324,077
Interest on Long-Term Debt	59,668	71,447
Depreciation	203,274	195,495
Total Expenses	<u>\$13,192,354</u>	<u>\$12,158,496</u>
<b><u>INCREASE IN NET ASSETS</u></b>	<u>\$940,023</u>	<u>\$1,012,398</u>
<b><u>BEGINNING NET ASSETS</u></b>	<u>10,489,020</u>	<u>9,476,622</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>\$11,429,043</u></u>	<u><u>\$10,489,020</u></u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

---

## **GOVERNMENT- WIDE FINANCIAL ANALYSIS**

### Analysis of Financial Position:

During the year ended June 30, 2005, the District's Total Net Assets increased by \$940,023 to a total of \$11,429,043. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$586,677 during the year due to purchases of new capital assets and principal payments on related debt exceeded depreciation. The districts Unrestricted Net Assets increased by \$284,370 during the year and the restricted portion of the net assets increased by \$68,976. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

### Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$940,023. The total revenues increased by \$961,483. The major changes were increased tax dollars and grant funds. Expenditures increased by \$1,033,858. Major changes were a kitchen renovation for the Culinary Arts Program, the addition of an Occupational Therapist, a Psychologist and a Transition Coordinator in the Special Education Programs and a paraprofessional in the Vocational Public Safety Program. Contract settlements resulted in one year of retroactive pay adjustments and current year pay increases for district employees. Four severance packages were paid in the current year.

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

### Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

#### General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$250,777 during the year with the decrease coming primarily from a reduction in cash. Revenues for the year increased by \$296,646 primarily from a change in classification required by the State with the implementation of the Financial Information Database (FID). Previously the Adult Education and Community Education programs were coded in the Vocational Fund. They are now required to be coded in the General Fund. This is reflected in an additional \$400,000 of revenue and matching expenditures in this fund. The major sources of general fund revenues are state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 81)

The State of Michigan aid provided under Section 81 of the State Aid Act provides the majority of state aid to the District's General Fund. Funding to the District under Section 81 is provided to comply with the requirements of the State Aid Act and to provide technical assistance to local districts as authorized by the intermediate school board. Funding under Section 81 was \$832,423 for the fiscal year a decrease of \$122,868 from the previous year.

2. Property Taxes Levied For General Operations (General Fund Homestead and Non-Homestead Taxes)

The District levies .1899 mills of property taxes for operations (General Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2004-2005 fiscal year was \$366,368. A decrease of \$15,786 from the prior year.



LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

---

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

Special Education Fund

Unreserved fund balance for the special education fund increased by \$553,653 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$771,695 primarily from an increase in grant funds. Expenditures and other financing uses increased by \$685,729, primarily due to additional grant funds of \$370,000 being flowed out to local districts and the addition of an occupational therapist, psychologist and fulltime transition coordinator. The major sources of special education revenues are Federal grants, state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 51)

The State of Michigan aid provided under Section 51 of the State Aid Act provides the majority of state aid to the District's Special Education Fund. Funding to the District under Section 51 is provided to reimburse the District for unreimbursed costs of special education programs, services and special education personnel. Funding under Section 51 was \$622,794 for the fiscal year an increase of \$46,732 from the previous year.

2. Property Taxes Levied For Special Education

The District levies .8452 mills of property taxes for operations (Special Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2004-2005 fiscal year was \$1,932,061. An increase of \$85,200 from the prior year.

Vocational Education Fund

Unreserved fund balance for the vocational education fund decreased by \$75,174 during the year with the decrease coming primarily from a decrease in cash. Revenues for the year decreased by \$152,961 and expenditures decreased by \$92,914. The reduction in revenue and expenditures in the Vocational Fund is the reflection of the Adult Education and Community Education programs that were transferred to the General Fund (see General Fund explanation). There was also an increase in local tax dollars and a decrease in state funding. The major source of vocational education revenues is taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Sections 61 and 62)

The State of Michigan aid provided under Sections 61 and 62 of the State Aid Act provides the majority of state aid to the District's Vocational Education Fund. Funding to the District under Sections 61 and 62 is provided to reimburse, on an added cost basis, the District for unreimbursed costs of its vocational-technical education center and vocational-technical programs and services. Funding under Sections 61 and 62 was \$210,147 for the fiscal year an decrease of \$41,362 from the previous year.

2. Property Taxes Levied For Vocational Education

The District levies 1.9443 mills of property taxes for operations (Vocational Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 fiscal year was \$4,344,089. An increase of \$267,757 from the prior year.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$2,482,868	\$3,046,555	\$2,817,631	22.70	7.51
Expenditures	2,958,984	3,497,725	3,068,408	18.21	12.27
<u><b>TOTAL</b></u>	<u>(\$476,116)</u>	<u>(\$451,170)</u>	<u>(\$250,777)</u>		

**SPECIAL EDUCATION FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$5,564,197	\$6,237,445	\$6,208,899	12.10	0.46
Expenditures	5,517,405	5,985,307	5,655,246	8.48	5.51
<u><b>TOTAL</b></u>	<u>\$46,792</u>	<u>\$252,138</u>	<u>\$553,653</u>		

**VOCATIONAL EDUCATION FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$5,554,810	\$5,009,954	\$5,034,019	9.81	0.48
Expenditures	5,981,015	5,529,243	5,109,193	7.55	7.60
<u><b>TOTAL</b></u>	<u>(\$426,205)</u>	<u>(\$519,289)</u>	<u>(\$75,174)</u>		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

---

**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Lapeer Intermediate School District amends its budget during the school year. The June, 2005 budget amendment was the final budget for the fiscal year. Significant budget variations were as follows:.

Original Budget vs. Final Budget

General Fund

Revenues: Grants and State categorical funds account for approximately \$1.3 million in the General Fund budget. The actual figures for the grants are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and expenditures were estimated in the initial budget. These line items were impacted once the final grant amounts were approved. The transfer of Adult Education and Community Education programs was done after the initial budget was in place.

Expenditures: The transfer of Adult and Community Education programs was done after the initial budget was in place. Wages were adjusted for board approved retroactive pay increases and current year increases. Hospitality was dissolved as a separate department and incorporated into the Culinary Arts program under the Vocational Fund. A severance package was added for an anticipated retirement. A courier van and office furniture were added to the final budget.

Special Education Fund

Revenues: Grant and State categorical funds account for approximately 3.7 million in the Special Education Fund budget. The actual figures are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and expenditures were estimated in the initial budget. These line items were impacted once the final grant amounts were approved. Medicaid fee-for-service was shifted from State to Local sources due to State coding requirements. There was an increase in revenue for reimbursement of the increased provision of supervision of Special Education in a local district.

Expenditures: Wages were adjusted for board approved retroactive pay increases and current year increases. Severance packages were added for anticipated retirements. An increase in the flow of grant funds to local districts is reflected in the increase of outgoing transfers. Administrative expenses increased due to the increase of the provision of supervision of Special Education in a local district.

Vocational Education Fund

Revenues: Grants and State categorical funds account for approximately \$400,000 in the Vocational Education Fund budget. The actual figures for the grants are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and grant expenditures were estimated in the initial budget. These line items were impacted once final grant amounts were approved. The transfer of Adult Education and Community Education programs was done after the initial budget was in place. The district did not provide alternative education programs resulting in adjustments in incoming transfers.

Expenditures: The transfer of Adult Education and Community Education programs was done after the initial budget was in place. The district settled a lawsuit that was not in the original budget. Wages were adjusted for board approved retroactive pay increases and current year increases. Severance packages were added for anticipated retirements. Program costs were deleted for a suspended vocational program.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

---

**ANALYSIS OF BUDGETS: (Continued)**

Actual Results vs. Final Budget

General Fund

Revenues: Final revenues generated by the Computer and Technical department were less than budgeted. Some of the grant funding was deferred to the next fiscal year due to grants that cross over two fiscal years. Some grant funding expired due to lack of programming.

Expenditures: Grant fund expenditures were less than originally budgeted due to the fact that the grant crosses over two fiscal years. Money budgeted for Computer and Technical department resale was not spent.

Special Education Fund

Revenues: There is no set timetable or method for determining the flow of Medicaid dollars from the State. The amount actually received exceeded the budgeted amount. Property tax and interest exceeded budgeted amounts. Some of the grant funding that was allocated was not expended or collected in the current year. These funds will be allocated as carryover in the 2005-2006 year.

Expenditures: Major areas where budgeted money is unspent is in contracted transportation, contracted community work, contracted billing for Medicaid and transfers out of Medicaid. Contracts are established at the beginning of the year and based on the student needs these contracts are utilized. Medicaid is flowed out to districts based on services provided. There is no set timetable for determining the flow of Medicaid dollars. Severance packages that were budgeted were not all spent.

Vocational Education Fund

Revenues: Some of the grant funding was deferred to the net fiscal year due to grants that cross over two fiscal years. Property tax and interest exceeded budgeted amounts. Final revenues for Program Sales were less than budgeted.

Expenditures: Money budgeted for Program resale was not spent. The balance of expenditures for grants crossing fiscal years accounts for less money actually spent than allowed for in the budget. This money will be expended in the 2005-2006 fiscal year. Severance packages that were budgeted were not all spent.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-04	Increases 6-30-05	Principal Payments 6-30-05	Principal Balance 6-30-05
Bonds Payable	\$1,671,603	\$0	\$195,000	\$1,476,603
Sick & Severance Pay	584,372	0	61,656	522,716
<u>Total Long-Term Obligations</u>	<u>\$2,255,975</u>	<u>\$0</u>	<u>\$256,656</u>	<u>\$1,999,319</u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

---

**CAPITAL ASSET AND DEBT ADMINISTRATION:** (Continued)

B. Capital Assets

The district's net investment in capital assets increased by \$492,432 during the fiscal year. This can be summarized as follows:

	Balance 7-1-04	Additions	Deductions	Balance 6-30-05
Capital Assets	\$9,578,499	\$766,649	\$32,131	\$10,313,017
Less: Accumulated Depreciation	(3,181,390)	(274,217)	(32,131)	(3,423,476)
<u>Net Investment Capital Outlay</u>	<u>\$6,397,109</u>	<u>\$492,432</u>	<u>\$0</u>	<u>\$6,889,541</u>

Significant capital asset additions included the kitchen renovation at the Edtech Center.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Lapeer Intermediate School District.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENTS OF NET ASSETS  
JUNE 30, 2005 AND 2004

	Governmental Activities	
	2005	2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$883,478	\$560,039
Investments	5,491,508	5,615,167
Accounts Receivable	21,840	33,773
Interest Receivable	13,408	3,841
Taxes Receivable	2,935	5,691
Due from Other Governmental Units	1,035,470	823,346
Inventory	9,604	9,604
Prepaid Expenses	35,082	0
Total Current Assets	\$7,493,325	\$7,051,461
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	0	100,755
Capital Assets	10,313,017	9,578,499
Less: Accumulated Depreciation	(3,423,476)	(3,181,390)
Total Noncurrent Assets	\$6,889,541	\$6,497,864
<u>TOTAL ASSETS</u>	\$14,382,866	\$13,549,325
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	199,704	130,177
Due to Other Governmental Units	9,948	0
Salaries Payable	543,605	457,957
Accrued Expenses	123,899	101,814
Deferred Revenue	77,348	114,382
Current Portion of Long-Term Obligations	230,427	195,000
Total Current Liabilities	\$1,184,931	\$999,330
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	1,768,892	2,060,975
<u>TOTAL LIABILITIES</u>	\$2,953,823	\$3,060,305
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	5,412,938	4,826,261
Restricted for:		
Debt Service	145,100	76,124
Unrestricted	5,871,005	5,586,635
<u>TOTAL NET ASSETS</u>	\$11,429,043	\$10,489,020

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENTS OF ACTIVITIES  
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004	
	Expenses	Program Revenues		Net (Expense) Revenue & Change in Net Assets	Net (Expense) Revenue & Change in Net Assets
		Charges For Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$4,179,724	\$0	\$3,470,988	(\$708,736)	(\$2,268,707)
Support Services	8,483,583	739,975	1,517,721	(6,225,887)	(4,127,537)
Community Services	266,105	0	0	(266,105)	(324,077)
Interest - Long-Term Obligations	59,668	0	0	(59,668)	(71,447)
Depreciation - Unallocated	203,274	0	0	(203,274)	(195,495)
<u>TOTALS</u>	<u>\$13,192,354</u>	<u>\$739,975</u>	<u>\$4,988,709</u>	<u>(\$7,463,670)</u>	<u>(\$6,987,263)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes				6,964,918	6,590,630
State Aid				895,285	1,018,153
Grants and Contributions Not Restricted to					
Specific Programs				172,112	101,472
Investment Earnings				97,970	40,457
Miscellaneous				273,408	248,949
Total General Revenues and Transfers				<u>\$8,403,693</u>	<u>\$7,999,661</u>
Change in Net Assets				<u>\$940,023</u>	<u>\$1,012,398</u>
Net Assets - Beginning				<u>10,489,020</u>	<u>9,476,622</u>
<u>Net Assets - Ending</u>				<u>\$11,429,043</u>	<u>\$10,489,020</u>

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General Fund	Special Education Fund	Vocational Education Fund
<u>ASSETS</u>			
Cash and Cash Equivalents	\$213,954	\$257,833	\$152,686
Investments	641,089	1,979,586	2,844,589
Accounts Receivable	7,742	483	274
Interest Receivable	1,565	4,827	6,636
Taxes Receivable	154	814	1,883
Due from Other Governmental Units	305,091	632,011	82,987
Due from Other Funds	351,772	1,794	62,862
Inventory	0	0	9,604
Prepaid Expenses	0	0	0
<u>TOTAL ASSETS</u>	<u>\$1,521,367</u>	<u>\$2,877,348</u>	<u>\$3,161,521</u>
<u>LIABILITIES</u>			
Accounts Payable	\$19,461	\$160,600	\$8,543
Due to Other Governmental Units	6,252	1,120	2,576
Due to Other Funds	62,862	138,454	215,112
Salaries Payable	19,770	213,856	309,979
Accrued Expenses	3,775	48,160	63,397
Deferred Revenue	57,561	367	1,920
Total Liabilities	\$169,681	\$562,557	\$601,527
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	0	9,604
Debt Retirement	0	0	0
Unreserved:			
Undesignated, Reported In:			
General Fund	1,351,686	0	0
Special Education Fund	0	2,314,791	0
Vocational Education Fund	0	0	2,550,390
Cooperative Education Fund	0	0	0
Total Fund Balances	\$1,351,686	\$2,314,791	\$2,559,994
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$1,521,367</u>	<u>\$2,877,348</u>	<u>\$3,161,521</u>

See accompanying notes to the basic financial statements.



LAPEER INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

Other Governmental Funds	Total Governmental Funds	Total Governmental Fund Balances:	\$6,547,388
		Amounts reported for governmental activities in the statement of net assets are different because:	
\$259,005	\$883,478		
26,244	5,491,508	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$10,313,017 and the accumulated depreciation is \$3,423,476	6,889,541
13,341	21,840		
380	13,408		
84	2,935		
15,381	1,035,470		
0	416,428	Accrued Interest on Long-Term Debt	(8,567)
0	9,604		
35,082	35,082	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
<u>\$349,517</u>	<u>\$7,909,753</u>		
		Bonds Payable	\$1,476,603
\$11,100	\$199,704	Compensated Absences Payable	<u>522,716</u>
0	9,948	Total Long-Term Liabilities	<u>(1,999,319)</u>
0	416,428		
0	543,605	<u>TOTAL NET ASSETS -</u>	
0	115,332	<u>GOVERNMENTAL ACTIVITIES</u>	<u>\$11,429,043</u>
17,500	77,348		
<u>\$28,600</u>	<u>\$1,362,365</u>		
0	9,604		
145,100	145,100		
0	1,351,686		
0	2,314,791		
0	2,550,390		
175,817	175,817		
<u>\$320,917</u>	<u>\$6,547,388</u>		
<u>\$349,517</u>	<u>\$7,909,753</u>		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	General	Special	Vocational
	Fund	Education	Education
	Fund	Fund	Fund
<u>REVENUES</u>			
Local Sources	\$1,086,400	\$2,342,546	\$4,485,641
State Sources	1,130,421	664,808	210,147
Federal Sources	275,810	3,006,372	221,833
Total Revenues	\$2,492,631	\$6,013,726	\$4,917,621
<u>EXPENDITURES</u>			
Current:			
Instruction	141,915	1,524,429	2,482,077
Student Services	31,467	1,451,911	423,795
Instructional Support	444,510	81,480	192,397
General Administration	641,768	614,181	4,250
School Administration	97,110	180,195	411,465
Business Administration	458,680	126	629
Operation & Maintenance of Plant	211,407	129,297	1,242,682
Transportation	0	9,136	0
Support Services - Other	766,135	37,795	29,681
Community Services	118,504	110,611	36,990
Debt Service	0	0	0
Cooperative Education	0	0	0
Total Expenditures	\$2,911,496	\$4,139,161	\$4,823,966
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$418,865)	\$1,874,565	\$93,655
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	325,000	(135,000)	(190,000)
Other Transfers	(156,912)	(1,185,912)	21,171
Total Other Financing Sources (Uses)	\$168,088	(\$1,320,912)	(\$168,829)
Net Change in Fund Balance	(\$250,777)	\$553,653	(\$75,174)
<u>FUND BALANCE - BEGINNING</u>	1,602,463	1,761,138	2,635,168
<u>FUND BALANCE - ENDING</u>	\$1,351,686	\$2,314,791	\$2,559,994

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

		Total net change in fund balances - governmental funds	\$290,163
Other	Total		
Governmental	Governmental	Amounts reported for governmental activities in the statement of	
Funds	Funds	activities are different because:	
\$384,930	\$8,299,517		
0	2,005,376	Governmental funds report capital outlays as expenditures. However,	
0	3,504,015	in the statement of activities, the cost of those assets is allocated	
\$384,930	\$13,808,908	over their estimated useful lives as depreciation expense. This is	
		the amount by which capital outlay exceeded depreciation in the	
		current period.	391,677
0	4,148,421	Repayment of bond principal is an expenditure in the governmental	
0	1,907,173	funds, but the repayment reduces long-term liabilities in the statement	
0	718,387	of net assets. This is the amount of repayments reported as	
0	1,260,199	expenditures in the governmental funds.	195,000
0	688,770		
0	459,435	Change in accrued interest on long-term liabilities	1,527
0	1,583,386		
0	9,136	Decrease in accrued compensated absences	61,656
0	833,611		
0	266,105	<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$940,023</u>
256,195	256,195		
65,376	65,376		
\$321,571	\$12,196,194		
\$63,359	\$1,612,714		
0	0		
(898)	(1,322,551)		
(898)	(1,322,551)		
\$62,461	\$290,163		
258,456	6,257,225		
\$320,917	\$6,547,388		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2005

---

---

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$65,745</u>
<u>TOTAL ASSETS</u>	<u>\$65,745</u>
 <u>LIABILITIES</u>	
Due to Student Groups	<u>\$65,745</u>
<u>TOTAL LIABILITIES</u>	<u>\$65,745</u>

See accompanying notes to the basic financial statements.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lapeer County Intermediate School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund

The Special Revenue Fund is used to account for activities where there is a need to determine the results of operations. The Special Revenue Funds presented in this report include the Special Education Fund, Vocational Education Fund and the Cooperative Education Fund.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

O) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
Comerica Bank External Investment Pool	<u>\$5,491,508</u>	<u>0.0027</u>	AAAm	<u>100.00%</u>

1 day maturity equals 0.0027, one year equals 1.00.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$784,993 of the District's bank balance of \$1,232,242 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

4) DEPOSITS AND INVESTMENTS (Continued)

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$65,745	\$ 949,223
Investments	<u>5,491,508</u>
<u>TOTAL</u>	<u>\$ 6,440,731</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 65,745
Cash – District Wide	883,478
Investments – District Wide	<u>5,491,508</u>
<u>TOTAL</u>	<u>\$ 6,440,731</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 322,708
Federal Grants	538,848
Other Grant Programs & Fees	<u>173,914</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,035,470</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005, the School District had \$12,167 of estimated claims payable in conjunction with the program.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2005.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$8,390,888	\$654,015	\$0	\$9,044,903
Land Improvements	42,351	0	0	42,351
Equipment and Furniture	1,145,260	106,658	32,131	1,219,787
Vehicles	0	5,976	0	5,976
Totals at Historical Cost	<u>\$9,578,499</u>	<u>\$766,649</u>	<u>\$32,131</u>	<u>\$10,313,017</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(2,467,838)	(208,278)	0	(2,676,116)
Land Improvements	(9,316)	(2,412)	0	(11,728)
Equipment and Furniture	(704,236)	(63,527)	(32,131)	(735,632)
Total Accumulated Depreciation	<u>(\$3,181,390)</u>	<u>(\$274,217)</u>	<u>(\$32,131)</u>	<u>(\$3,423,476)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$6,397,109</u>	<u>\$492,432</u>	<u>\$0</u>	<u>\$6,889,541</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 31,303
Support Services	39,640
Unallocated	<u>203,274</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 274,217</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2005 were \$27,157 and the School District received a dividend refund of \$22,460.

11) GENERAL LONG-TERM DEBT

A) 1995 VOCATIONAL/TECHNOLOGY IMPROVEMENT BONDS (L.I.T.E.S.)

The School District issued Vocational/Technology Improvement Bonds dated September 1, 1995, for installing a fiber optic educational telecommunications system. These General Obligation-Limited Tax bonds require 10 annual payments beginning May 1, 1996, and semi-annual interest payments at rates ranging from 4.5% to 6.4%. The balance at June 30, 2005 was \$0.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT (Continued)

B) Durant Resolution Package Bonds

Lapeer County Intermediate School District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$628,619.00 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$401,603. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

C) 2000 School Building and Site Bonds

The School District issued Building and Site Bonds dated September 20, 2000 for improvements to be made at the Vocational Technical Center. These general obligation tax bonds require nine annual principal payments beginning May 1, 2002, and semi-annual interest payments at rates ranging from 4.5% to 5.125%. The balance at June 30, 2005 was \$1,075,000.

D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

	BONDS		
	PAYABLE	INTEREST	TOTAL
June 30, 2006	\$230,427	\$65,116	\$295,543
June 30, 2007	231,869	53,417	285,286
June 30, 2008	258,394	42,700	301,094
June 30, 2009	259,985	30,536	290,521
June 30, 2010	375,179	68,934	444,113
June 30, 2011-2013	120,749	11,676	132,425
<u>TOTAL</u>	<u>\$1,476,603</u>	<u>\$272,379</u>	<u>\$1,748,982</u>

The payment dates of sick days payable is undeterminable.

The interest expenditures on long-term obligations for the year were \$ 60,565.

E) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2004	ADDITIONS	DEDUCTIONS	JUNE 30, 2005	IN ONE YEAR
Bonds Payable	\$1,671,603	\$0	\$195,000	\$1,476,603	\$230,427
Sick & Severance Pay	584,372	0	61,656	522,716	0
<u>Total Governmental Activities</u>	<u>\$2,255,975</u>	<u>\$0</u>	<u>\$256,656</u>	<u>\$1,999,319</u>	<u>\$230,427</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

12) OPERATING LEASES

The District entered into a operating lease with Toshiba Business Solutions for copiers on September 24, 2002. The lease payment is \$1,545 per month for a period of sixty months. Expense for the fiscal year ended June 30, 2005 was \$18,545.

Future minimum payments for the operating leases is as follows:

June 30, 2006	\$ 18,545
June 30, 2007	18,545
June 30, 2008	<u>6,182</u>
 <u>TOTALS</u>	 <u>\$ 43,272</u>

13) INTERFUND BALANCES

Interfund balances at June 30, 2005 consisted of the following:

DUE TO				
DUE FROM	GENERAL	SPECIAL ED	VOCATIONAL	
	FUND	FUND	ED FUND	TOTAL
	General Fund	\$0	\$0	\$62,862
	Special Education Fund	138,454	0	138,454
	Vocational Education Fund	<u>213,318</u>	<u>1,794</u>	<u>0</u>
	<u>TOTAL</u>	<u>\$351,772</u>	<u>\$1,794</u>	<u>\$62,862</u>
				<u>\$416,428</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS TO	
TRANSFERS FROM	GENERAL
	FUND
	Special Education Fund
	\$135,000
	Vocational Education
	<u>190,000</u>
	<u>TOTAL</u>
	<u>\$325,000</u>

The transfers are reimbursements to the general fund from special education and vocational education funds for overhead costs that are calculated annually and approved by the board.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$894,203, \$771,315 and \$803,018, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Special Education Cluster. This program is subject to program compliance audits. The audit of this program for and including the year ended June 30, 2005, has been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

REQUIRED  
SUPPLEMENTARY  
INFORMATION



LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$983,656	\$1,204,259	\$1,086,400	(\$117,859)
State Sources	1,069,571	1,183,741	1,130,421	(53,320)
Federal Sources	104,641	333,555	275,810	(57,745)
Total Revenues	<u>\$2,157,868</u>	<u>\$2,721,555</u>	<u>\$2,492,631</u>	<u>(\$228,924)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	40,800	148,348	141,915	6,433
Student Services	19,215	49,079	31,467	17,612
Instructional Support	441,456	525,070	444,510	80,560
General Administration	606,970	681,177	641,768	39,409
School Administration	0	111,265	97,110	14,155
Business Admin & Oper & Maintenance	722,785	736,367	670,087	66,280
Support Services - Other	991,137	948,140	766,135	182,005
Community Services	44,950	131,923	118,504	13,419
Total Expenditures	<u>\$2,867,313</u>	<u>\$3,331,369</u>	<u>\$2,911,496</u>	<u>\$419,873</u>
Excess of Revenues Over Expenditures	<u>(\$709,445)</u>	<u>(\$609,814)</u>	<u>(\$418,865)</u>	<u>\$190,949</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>233,329</u>	<u>158,644</u>	<u>168,088</u>	<u>9,444</u>
Net Change in Fund Balance	<u>(\$476,116)</u>	<u>(\$451,170)</u>	<u>(\$250,777)</u>	<u>\$200,393</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,602,463</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,351,686</u>	

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$2,328,200	\$2,322,300	\$2,342,546	\$20,246
State Sources	626,324	663,807	664,808	1,001
Federal Sources	2,459,673	3,036,338	3,006,372	(29,966)
Total Revenues	<u>\$5,414,197</u>	<u>\$6,022,445</u>	<u>\$6,013,726</u>	<u>(\$8,719)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	1,486,496	1,618,027	1,524,429	93,598
Student Services	1,430,003	1,508,819	1,451,911	56,908
Instructional Support	155,528	111,668	81,480	30,188
General Administration	639,795	648,140	614,181	33,959
School Administration	181,700	190,900	180,195	10,705
Business Admin & Oper & Maintenance	128,200	152,700	129,423	23,277
Transportation	10,000	10,000	9,136	864
Support Services - Other	41,223	38,150	37,795	355
Community Services	136,172	120,137	110,611	9,526
Total Expenditures	<u>\$4,209,117</u>	<u>\$4,398,541</u>	<u>\$4,139,161</u>	<u>\$259,380</u>
Excess of Revenues Over Expenditures	<u>\$1,205,080</u>	<u>\$1,623,904</u>	<u>\$1,874,565</u>	<u>\$250,661</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(1,158,288)</u>	<u>(1,371,766)</u>	<u>(1,320,912)</u>	<u>50,854</u>
Net Change in Fund Balance	<u>\$46,792</u>	<u>\$252,138</u>	<u>\$553,653</u>	<u>\$301,515</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,761,138</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$2,314,791</u>	

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
VOCATIONAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$4,589,774	\$4,445,100	\$4,485,641	\$40,541
State Sources	353,245	198,240	210,147	11,907
Federal Sources	421,971	251,762	221,833	(29,929)
Total Revenues	<u>\$5,364,990</u>	<u>\$4,895,102</u>	<u>\$4,917,621</u>	<u>\$22,519</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	2,857,961	2,703,172	2,482,077	221,095
Student Services	412,300	444,400	423,795	20,605
Instructional Support	202,783	201,678	192,397	9,281
General Administration	28,500	4,250	4,250	0
School Administration	579,330	458,762	411,465	47,297
Business Administration	6,500	1,000	629	371
Operation & Maintenance of Plant	1,302,902	1,323,132	1,242,682	80,450
Support Services - Other	40,830	33,930	29,681	4,249
Community Services	191,909	68,919	36,990	31,929
Total Expenditures	<u>\$5,623,015</u>	<u>\$5,239,243</u>	<u>\$4,823,966</u>	<u>\$415,277</u>
Excess of Revenues Over Expenditures	<u>(\$258,025)</u>	<u>(\$344,141)</u>	<u>\$93,655</u>	<u>\$437,796</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to Other Funds	<u>(168,180)</u>	<u>(175,148)</u>	<u>(168,829)</u>	<u>6,319</u>
Net Change in Fund Balance	<u>(\$426,205)</u>	<u>(\$519,289)</u>	<u>(\$75,174)</u>	<u>\$444,115</u>
<u>FUND BALANCE - BEGINNING</u>			<u>2,635,168</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$2,559,994</u>	

OTHER SUPPLEMENTAL  
INFORMATION

LAPEER INTERMEDIATE SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2005

	Debt Service Fund	Cooperative Education Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$144,697	\$114,308	\$259,005
Investments	0	26,244	26,244
Accounts Receivable	0	13,341	13,341
Interest Receivable	319	61	380
Taxes Receivable	84	0	84
Due From Other Governmental Units	0	15,381	15,381
Prepaid Expenses	0	35,082	35,082
<u>TOTAL ASSETS</u>	<u>\$145,100</u>	<u>\$204,417</u>	<u>\$349,517</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$11,100	\$11,100
Deferred Revenue	0	17,500	17,500
Total Liabilities	\$0	\$28,600	\$28,600
<u>FUND BALANCES</u>			
Reserved For:			
Debt Retirement	145,100	0	145,100
Unreserved	0	175,817	175,817
Total Fund Balances	<u>\$145,100</u>	<u>\$175,817</u>	<u>\$320,917</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$145,100</u>	<u>\$204,417</u>	<u>\$349,517</u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Debt Service Fund	Cooperative Education Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$325,171	\$59,759	\$384,930
<u>OTHER FINANCING SOURCES (USES)</u>	<u>0</u>	<u>(898)</u>	<u>(898)</u>
Total Revenues & Other Financing Sources	\$325,171	\$58,861	\$384,032
<u>EXPENDITURES</u>			
Debt Service	256,195	0	256,195
Cooperative Education	<u>0</u>	<u>65,376</u>	<u>65,376</u>
Total Expenditures	<u>\$256,195</u>	<u>\$65,376</u>	<u>\$321,571</u>
Net Change in Fund Balance	\$68,976	(\$6,515)	\$62,461
<u>NET ASSETS - BEGINNING</u>	<u>76,124</u>	<u>182,332</u>	<u>258,456</u>
<u>NET ASSETS - ENDING</u>	<u>\$145,100</u>	<u>\$175,817</u>	<u>\$320,917</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
DEBT RETIREMENT FUND  
COMBINED BALANCE SHEET  
AS OF JUNE 30, 2005

	1995 ISSUE (L.I.T.E.S.)	2000 SCH BOND DEBT	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$0	\$144,697	\$144,697
Interest Receivable	0	319	319
Taxes Receivable	0	84	84
<u>TOTAL ASSETS</u>	<u>\$0</u>	<u>\$145,100</u>	<u>\$145,100</u>
<u>FUND EQUITY</u>			
Reserved - Debt Retirement	<u>\$0</u>	<u>\$145,100</u>	<u>\$145,100</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
DEBT RETIREMENT FUND  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2005

	1995 ISSUE (L.I.T.E.S.)	2000 SCH BOND DEBT	TOTAL
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	\$123,525	\$198,875	\$322,400
Earnings on Investments and Deposit	663	2,108	2,771
Total Local Sources	<u>\$124,188</u>	<u>\$200,983</u>	<u>\$325,171</u>
<u>EXPENDITURES</u>			
Redemption of Bond Principal	130,000	65,000	195,000
Interest on Bonded Debt	6,240	54,325	60,565
Dues and Fees	350	280	630
Total Expenditures	<u>\$136,590</u>	<u>\$119,605</u>	<u>\$256,195</u>
<u>EXCESS REVENUES OVER (UNDER)</u>			
<u>EXPENDITURES</u>	<u>(\$12,402)</u>	<u>\$81,378</u>	<u>\$68,976</u>
<u>FUND BALANCE - BEGINNING</u>			
<u>  OF YEAR</u>	<u>\$12,402</u>	<u>\$63,722</u>	<u>\$76,124</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$145,100</u>	<u>\$145,100</u>



INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$360,000	\$366,368	\$6,368
Interest on Investments	10,000	17,931	7,931
Community Revenue	104,909	91,393	(13,516)
Rentals	63,000	55,043	(7,957)
Marketing Revenue	2,000	7,050	5,050
Inservice Revenue	40,000	38,960	(1,040)
Computer Service	200,000	45,942	(154,058)
Tech Special Services	70,000	102,358	32,358
Support Business Service	71,600	74,166	2,566
Other Business Revenue	75,000	83,870	8,870
Assessment Center Revenue	17,000	13,000	(4,000)
Courier Revenue	13,000	11,939	(1,061)
LEA General Education	172,000	172,112	112
Other Local Revenues	5,750	6,268	518
Total Revenues from Local Sources	\$1,204,259	\$1,086,400	(\$117,859)
<u>State Sources</u>			
State Aid - Sec. 81	832,423	832,423	0
Other State Aid	128,905	114,858	(14,047)
Great Parents Sec 32j	67,498	42,886	(24,612)
Gifted and Talented - Sec. 57	980	980	0
Math/Science - Sec. 99	91,073	76,412	(14,661)
Durant	62,862	62,862	0
Total Revenues from State Sources	\$1,183,741	\$1,130,421	(\$53,320)
<u>Federal Sources</u>			
Improving Teacher Quality	952	952	0
Title V	630	630	0
Adult Education	184,713	180,898	(3,815)
Summer Food Program	22,480	22,480	0
Rural Education	23,780	23,780	0
Serve MI Grant	28,944	22,491	(6,453)
Learn and Serve America Grant	72,056	24,579	(47,477)
Total Revenues from Federal Sources	\$333,555	\$275,810	(\$57,745)
Total Revenues	\$2,721,555	\$2,492,631	(\$228,924)
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Funds	325,000	325,000	0
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$3,046,555</u>	<u>\$2,817,631</u>	<u>(\$228,924)</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
Salaries - Professional	\$83,800	\$81,254	\$2,546
Salaries - Non-Professional	1,000	613	387.00
Fica, Retirement, Etc.	21,798	21,445	353
Purchased Services	12,850	10,665	2,185
Supplies and Materials	28,000	27,569	431
Other	900	369	531
Total Instruction	\$148,348	\$141,915	\$6,433
<u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Purchased Services	27,737	9,753	17,984
Supplies and Materials	21,342	21,714	(372)
Total Pupil Services	\$49,079	\$31,467	\$17,612
<u>Instructional Staff</u>			
Salaries - Professional	191,060	183,396	7,664
Salaries - Non-Professional	49,800	45,828	3,972
Insurances	55,792	49,052	6,740
Fica, Retirement, Etc.	56,252	52,532	3,720
Purchased Services	114,886	74,147	40,739
Supplies and Materials	48,480	33,558	14,922
Capital Outlay	8,000	5,571	2,429
Other	800	426	374
Total Instructional Staff	\$525,070	\$444,510	\$80,560
<u>General Administration</u>			
Salaries - Professional	286,730	284,727	2,003
Salaries - Non-Professional	121,500	124,666	(3,166)
Insurances	47,500	46,857	643
Fica, Retirement, Etc.	85,000	79,107	5,893
Other Benefits	2,600	2,599	1
Purchased Services	98,875	76,280	22,595
Supplies and Materials	13,272	8,927	4,345
Capital Outlay	9,000	8,937	63
Other	16,700	9,668	7,032
Total General Administration	\$681,177	\$641,768	\$39,409
<u>School Administration</u>			
Salaries - Professional	29,900	29,682	218
Salaries - Non-Professional	38,100	36,144	1,956
Insurances	8,759	8,617	142
Fica, Retirement, Etc.	15,356	14,511	845
Purchased Services	15,450	6,509	8,941
Supplies and Materials	3,150	1,622	1,528
Capital Outlay	400	0	400
Other	150	25	125
Total School Administration	\$111,265	\$97,110	\$14,155

## LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>Business Administration</u>			
Salaries - Professional	\$202,800	\$203,098	(\$298)
Salaries - Non-Professional	104,000	96,764	7,236
Insurances	86,300	84,941	1,359
Fica, Retirement, Etc.	68,800	65,267	3,533
Purchased Services	8,335	4,319	4,016
Supplies and Materials	7,400	3,038	4,362
Capital Outlay	6,000	152	5,848
Other	1,900	1,101	799
Total Business Administration	\$485,535	\$458,680	\$26,855
<u>Operation and Maintenance</u>			
Salaries - Professional	54,600	54,368	232
Salaries - Non-Professional	30,630	24,797	5,833
Insurances	2,500	2,467	33
Fica, Retirement, Etc.	19,080	17,509	1,571
Other Benefits	1,300	1,299	1
Purchased Services	47,400	26,489	20,911
Supplies and Materials	34,280	31,861	2,419
Capital Outlay	60,712	52,582	8,130
Other	330	35	295
Total Operation and Maintenance	\$250,832	\$211,407	\$39,425
<u>Other Support Services</u>			
Salaries - Professional	228,900	228,841	59
Salaries - Non-Professional	226,455	224,149	2,306
Insurances	90,350	89,745	605
Fica, Retirement, Etc.	102,540	98,817	3,723
Other Benefits	1,950	1,949	1
Purchased Services	75,320	35,948	39,372
Supplies and Materials	208,525	80,300	128,225
Capital Outlay	13,000	5,886	7,114
Other	1,100	500	600
Total Other Support Services	\$948,140	\$766,135	\$182,005
Total Support Services	\$3,051,098	\$2,651,077	\$400,021

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICTGENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	\$64,000	\$59,289	\$4,711
Salaries - Non-Professional	1,000	490	510
Fica, Retirement, Etc.	17,159	15,507	1,652
Purchased Services	34,411	31,276	3,135
Supplies and Materials	14,303	11,942	2,361
Capital Outlay	500	0	500
Other	550	0	550
Total Community Services	<u>\$131,923</u>	<u>\$118,504</u>	<u>\$13,419</u>
Total Expenditures	\$3,331,369	\$2,911,496	\$419,873
<u>OTHER FINANCING USES</u>			
Transfers to Other Governmental Units	101,694	93,741	7,953
Chargebacks - Property Tax	1,800	309	1,491
Other Transfers	62,862	62,862	0
Total Other Financing Uses	<u>\$166,356</u>	<u>\$156,912</u>	<u>\$9,444</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$3,497,725</u>	<u>\$3,068,408</u>	<u>\$429,317</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$1,900,000	\$1,932,061	\$32,061
Earnings on Investments and Deposits	20,000	32,364	12,364
Medicaid	400,000	374,603	(25,397)
Other Local Revenues	2,300	3,518	1,218
Total Revenues from Local Sources	\$2,322,300	\$2,342,546	\$20,246
<u>State Sources</u>			
Special Education	559,203	560,203	1,000
Other State Grants	104,604	104,605	1
Total Revenues from State Sources	\$663,807	\$664,808	\$1,001
<u>Federal Sources</u>			
I.D.E.A. Flowthrough	2,604,020	2,552,683	(51,337)
I.D.E.A. Preschool Incentive	110,435	110,435	0
State Initiated Grants	40,000	40,000	0
Transition Services	70,000	67,448	(2,552)
Capacity Building	27,796	27,796	0
Special Ed Technology, Materials and Training	2,981	2,981	0
Medicaid Administrative Outreach	50,000	84,309	34,309
Infant Toddler Grant	131,106	120,720	(10,386)
Total Revenues from Federal Sources	\$3,036,338	\$3,006,372	(\$29,966)
Total Revenues	\$6,022,445	\$6,013,726	(\$8,719)
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Districts	215,000	195,173	(19,827)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$6,237,445</u>	<u>\$6,208,899</u>	<u>(\$28,546)</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Added Needs</u>			
Salaries - Professional	\$562,805	\$563,400	(\$595)
Salaries - Non-Professional	461,277	416,723	44,554
Insurances	235,871	223,798	12,073
Fica, Retirement, Etc.	218,930	213,977	4,953
Other Benefits	8,864	8,121	743
Purchased Services	99,400	79,024	20,376
Supplies and Materials	17,650	12,957	4,693
Capital Outlay	12,600	6,404	6,196
Other	630	25	605
Total Instruction	\$1,618,027	\$1,524,429	\$93,598
<u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Salaries - Professional	896,255	904,142	(7,887)
Salaries - Non-Professional	46,179	42,264	3,915
Insurances	181,925	177,954	3,971
Fica, Retirement, Etc.	212,074	209,622	2,452
Other Benefits	5,021	3,790	1,231
Purchased Services	85,950	55,435	30,515
Supplies and Materials	41,370	32,622	8,748
Capital Outlay	38,400	25,993	12,407
Other	1,645	89	1,556
Total Pupil Services	\$1,508,819	\$1,451,911	\$56,908
<u>Instructional Staff</u>			
Salaries - Non-Professional	2,000	272	1,728
Fica, Retirement, Etc.	415	61	354
Purchased Services	74,860	57,520	17,340
Supplies and Materials	34,393	23,627	10,766
Total Instructional Staff	\$111,668	\$81,480	\$30,188
<u>General Administration</u>			
Salaries - Professional	264,000	263,661	339
Salaries - Non-Professional	116,700	115,696	1,004
Insurances	62,350	61,767	583
Fica, Retirement, Etc.	85,900	83,400	2,500
Other Benefits	2,910	2,815	95
Purchased Services	90,600	68,269	22,331
Supplies and Materials	18,230	15,246	2,984
Capital Outlay	2,800	126	2,674
Other	4,650	3,201	1,449
Total General Administration	\$648,140	\$614,181	\$33,959
<u>School Administration</u>			
Salaries - Professional	84,000	83,851	149
Salaries - Non-Professional	33,900	34,171	(271)
Insurances	28,700	28,698	2
Fica, Retirement, Etc.	26,700	26,033	667
Purchased Services	6,500	2,392	4,108
Supplies and Materials	5,150	3,247	1,903
Capital Outlay	5,000	904	4,096
Other	950	899	51
Total School Administration	\$190,900	\$180,195	\$10,705

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES (Continued)</u>			
<u>Business Administration</u>			
Purchased Services	\$600	\$126	\$474
<u>Operation and Maintenance</u>			
Salaries - Non-Professional	48,000	46,118	1,882
Insurances	10,900	10,776	124
Fica, Retirement, Etc.	10,900	10,131	769
Purchased Services	21,100	11,474	9,626
Supplies and Materials	38,500	35,580	2,920
Capital Outlay	22,700	15,218	7,482
Total Operation and Maintenance	<u>\$152,100</u>	<u>\$129,297</u>	<u>\$22,803</u>
<u>Transportation</u>			
Purchased Services	10,000	9,136	864
<u>Other Support Services</u>			
Salaries - Professional	26,160	26,160	0
Insurances	4,968	4,968	0
Fica, Retirement, Etc.	5,522	5,522	0
Purchased Services	1,000	704	296
Supplies and Materials	500	441	59
Total Other Support Services	<u>\$38,150</u>	<u>\$37,795</u>	<u>\$355</u>
<u>Total Support Services</u>	<u>\$2,660,377</u>	<u>\$2,504,121</u>	<u>\$156,256</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	2,625	2,605	20
Fica, Retirement, Etc.	542	550	(8)
Purchased Services	116,028	106,872	9,156
Supplies and Materials	942	584	358
<u>Total Community Services</u>	<u>\$120,137</u>	<u>\$110,611</u>	<u>\$9,526</u>
<u>Total Expenditures</u>	<u>\$4,398,541</u>	<u>\$4,139,161</u>	<u>\$259,380</u>
<u>OTHER FINANCING USES</u>			
Transfer to Other Governmental Units	1,449,266	1,379,702	69,564
Chargebacks - Property Taxes	2,500	1,383	1,117
Transfer to Other Funds	135,000	135,000	0
<u>Total Other Financing Uses</u>	<u>\$1,586,766</u>	<u>\$1,516,085</u>	<u>\$70,681</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u><u>\$5,985,307</u></u>	<u><u>\$5,655,246</u></u>	<u><u>\$330,061</u></u>



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$4,270,000	\$4,344,089	\$74,089
Earnings on Investments and Deposits	28,000	42,045	14,045
Assessment Revenue	2,500	2,362	(138)
Program Sales	116,500	62,872	(53,628)
Rentals	12,000	12,796	796
Other Local Revenues	16,100	21,477	5,377
Total Revenues from Local Sources	\$4,445,100	\$4,485,641	\$40,541
<u>State Sources</u>			
State Aid - Added Cost - Sec. 61a.1	196,540	207,015	10,475
State Aid - Voc. Ed Millage Equalization Sec. 62	1,700	3,132	1,432
Total Revenues from State Sources	\$198,240	\$210,147	\$11,907
<u>Federal Sources</u>			
Workforce Investment Act	66,909	36,980	(29,929)
Tech Prep Program	32,455	32,455	0
Safe & Drug Free Schools	1,800	1,800	0
Perkins Grant	150,598	150,598	0
Total Revenues from Federal Sources	\$251,762	\$221,833	(\$29,929)
Total Revenues	\$4,895,102	\$4,917,621	\$22,519
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Districts	3,740	5,319	1,579
Other Transfers	111,112	111,079	(33)
Total Other Financing Sources	\$114,852	\$116,398	\$1,546
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$5,009,954</u>	<u>\$5,034,019</u>	<u>\$24,065</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
<u>Added Needs</u>			
Salaries - Professional	\$1,084,100	\$1,087,551	(\$3,451)
Salaries - Non-Professional	451,760	349,233	102,527
Insurances	260,800	257,660	3,140
Fica, Retirement, Etc.	326,930	308,919	18,011
Other Benefits	4,010	4,006	4
Purchased Services	131,980	120,644	11,336
Supplies and Materials	258,275	183,035	75,240
Capital Outlay	173,817	160,366	13,451
Other	11,500	10,663	837
<u>Total Instruction</u>	<u>\$2,703,172</u>	<u>\$2,482,077</u>	<u>\$221,095</u>
<u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Salaries - Professional	263,900	257,917	5,983
Salaries - Non-Professional	34,350	31,479	2,871
Insurance	38,000	37,921	79
Fica, Retirement, Etc.	67,400	64,598	2,802
Other Benefits	1,300	1,299	1
Purchased Services	30,500	27,478	3,022
Supplies and Materials	7,400	3,102	4,298
Capital Outlay	1,350	0	1,350
Other	200	1	199
Total Pupil Services	\$444,400	\$423,795	\$20,605
<u>Instructional Staff</u>			
Salaries - Professional	6,800	3,078	3,722
Salaries - Non-Professional	82,238	79,544	2,694
Insurances	53,516	53,516	0
Fica, Retirement, Etc.	19,669	18,606	1,063
Purchased Services	31,976	31,269	707
Supplies and Materials	6,779	6,384	395
Other	700	0	700
Total Instructional Staff	\$201,678	\$192,397	\$9,281
<u>General Administration</u>			
Purchased Services	4,250	4,250	0

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>School Administration</u>			
Salaries - Professional	154,700	\$154,587	113
Salaries - Non-Professional	116,500	112,050	4,450
Insurances	45,300	45,242	58
Fica, Retirement, Etc.	61,600	60,211	1,389
Other Benefits	1,300	1,299	1
Purchased Services	48,000	25,429	22,571
Supplies and Materials	18,200	9,526	8,674
Capital Outlay	7,812	644	7,168
Other	5,350	2,477	2,873
Total School Administration	\$458,762	\$411,465	\$47,297
<u>Business Administration</u>			
Purchased Services	1,000	629	371
<u>Operation and Maintenance of Plant</u>			
Salaries - Non-Professional	208,230	191,144	17,086
Insurances	59,500	59,478	22
Fica, Retirement, Etc.	48,402	42,122	6,280
Purchased Services	121,900	103,593	18,307
Supplies and Materials	217,550	192,340	25,210
Capital Outlay	665,000	651,512	13,488
Other	2,550	2,493	57
Total Operation and Maintenance of Plant	\$1,323,132	\$1,242,682	\$80,450
<u>Other Support Services</u>			
Salaries - Non-Professional	\$17,000	15,990	\$1,010
Insurances	6,600	6,569	31
Fica, Retirement, Etc.	3,800	3,457	343
Purchased Services	2,200	937	1,263
Supplies and Materials	4,280	2,728	1,552
Other	50	0	50
Total Other Support Services	\$33,930	\$29,681	\$4,249
<u>Total Support Services</u>	\$2,467,152	\$2,304,899	\$162,253

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	\$25,204	\$16,815	\$8,389
Fica, Retirement, Etc.	5,556	3,667	1,889
Purchased Services	22,644	12,668	9,976
Supplies and Materials	12,965	3,728	9,237
Other	2,550	112	2,438
<u>Total Community Services</u>	<u>\$68,919</u>	<u>\$36,990</u>	<u>\$31,929</u>
<u>Total Expenditures</u>	<u>\$5,239,243</u>	<u>\$4,823,966</u>	<u>\$415,277</u>
<u>OTHER FINANCING USES</u>			
Transfers to Other Funds	190,000	190,000	0
Chargeback - Property Taxes	5,000	3,183	1,817
Transfers to Other Governmental Units	95,000	92,044	2,956
<u>Total Other Financing Uses</u>	<u>\$290,000</u>	<u>\$285,227</u>	<u>\$4,773</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$5,529,243</u>	<u>\$5,109,193</u>	<u>\$420,050</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
COOPERATIVE EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Earnings on Investments and Deposits	\$2,500	\$2,859	\$359
Other Local Revenues	35,700	56,900	21,200
Total Revenues from Local Sources	<u>\$38,200</u>	<u>\$59,759</u>	<u>\$21,559</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Governmental Units	<u>22,000</u>	<u>11,898</u>	<u>(10,102)</u>
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$60,200</u>	<u>\$71,657</u>	<u>\$11,457</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
COOPERATIVE EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES</u>			
<u>Operation and Maintenance</u>			
Purchased Services	\$32,500	\$34,462	(\$1,962)
Supplies and Materials	4,800	3,236	1,564
Capital Outlay	65,000	27,583	37,417
Other	500	95	405
Total Operation and Maintenance	<u>\$102,800</u>	<u>\$65,376</u>	<u>\$37,424</u>
 <u>OTHER FINANCING USES</u>			
Payments to Other Governmental Units	<u>25,000</u>	<u>12,796</u>	<u>12,204</u>
 <u>TOTAL EXPENDITURES AND OTHER</u> <u>FINANCING USES</u>	 <u>\$127,800</u>	 <u>\$78,172</u>	 <u>\$49,628</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005

	DUE TO (FROM) STUDENT ACTIVITIES AND OTHER ORGANIZATIONS			DUE TO (FROM) STUDENT ACTIVITIES AND OTHER ORGANIZATIONS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005	
<u>Student/Other Groups</u>					
Administration	\$7	\$2,906	\$2,846	\$67	
Ag. Mechanics	632	957	1,069	520	
Auto Body Repair	103	2,088	1,941	250	
Building Trades	2,827	3,547	5,026	1,348	
CAD	6,522	3,082	2,537	7,067	
Computer Networking	7,326	2,809	5,006	5,129	
Cosmetology	0	529	138	391	
Culinary Arts - V.I.C.A. Club	4,497	3,137	2,750	4,884	
D.E.C.A. Club	6,278	34,011	29,168	11,121	
Early Childhood	278	1,923	1,416	785	
Electronics	6,572	19,801	18,134	8,239	
F.F.A. Alumni	1,825	1,517	790	2,552	
F.F.A. Club	5,118	51,199	48,515	7,802	
H.O.S.A. Club	4,374	3,041	3,371	4,044	
ISD	1,173	255	75	1,353	
Mechanical Construction	6,949	2,573	3,453	6,069	
Metal Machining	557	232	53	736	
Public Safety	126	3,979	3,718	387	
Special Education	3,095	3,613	3,707	3,001	
Student Council	494	2	496	0	
<u>TOTALS</u>	<u>\$58,753</u>	<u>\$141,201</u>	<u>\$134,209</u>	<u>\$65,745</u>	

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

1998 DURANT RESOLUTION PACKAGE BONDS

Date of Issue - November 24, 1998

Original amount of issue - \$628,619

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2006	\$30,427	4.761353%	\$13,716	\$44,143
2007	31,869	4.761353%	12,267	44,136
2008	33,394	4.761353%	10,750	44,144
2009	34,985	4.761353%	9,160	44,145
2010	150,179	4.761353%	58,134	208,313
2011	38,394	4.761353%	5,749	44,143
2012	40,220	4.761353%	3,921	44,141
2013	42,135	4.761353%	2,006	44,141
<u>TOTAL</u>	<u>\$401,603</u>		<u>\$115,703</u>	<u>\$517,306</u>

2000 SCHOOL BUILDING & SITE BONDS

Date of Issue: September 20, 2000

Amount Authorized: \$1,215,000

DATE	INTEREST RATE	PRINCIPAL AMOUNT	INTEREST AMOUNT NOVEMBER 1	INTEREST AMOUNT MAY 1	TOTAL
2005-2006	5.13%	\$200,000	\$25,700	\$25,700	\$251,400
2006-2007	4.60%	200,000	20,575	20,575	241,150
2007-2008	4.70%	225,000	15,975	15,975	256,950
2008-2009	4.75%	225,000	10,688	10,688	246,376
2009-2010	4.80%	225,000	5,400	5,400	235,800
<u>TOTALS</u>		<u>\$1,075,000</u>	<u>\$78,338</u>	<u>\$78,338</u>	<u>\$1,231,676</u>



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT

LAPEER, MICHIGAN

FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

## CONTENTS

	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	2 – 3
Schedule of Expenditures of Federal Awards for the year ended June 30, 2005	4 – 6
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2005	7
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2005	8
Summary of Findings and Questioned Costs for the year ended June 30, 2005	9 – 10
Status of Prior Year Findings	10
Schedule of Expenditures of Federal Awards Provided to Subrecipients for the year ended June 30, 2005	11 – 12



*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 31, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of  
Lapeer County Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District, as of and for the year ended June 30, 2005, which collectively comprise the Lapeer County Intermediate School District's financial statements and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lapeer County Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lapeer County Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Lapeer County Intermediate School District, in a separate letter dated August 31, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 31, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Education of  
Lapeer County Intermediate School District

Compliance

We have audited the compliance of Lapeer County Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Lapeer County Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lapeer County Intermediate School District's management. Our responsibility is to express an opinion on Lapeer County Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lapeer County Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lapeer County Intermediate School District's compliance with those requirements.

In our opinion, Lapeer County Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Lapeer County Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lapeer County Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Lapeer County Intermediate School District  
Page 2  
August 31, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 31, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Lapeer County Intermediate School District's, basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Award Passed Through U.S. Department of Education:			
Rural Education Achievement Program	84.358		
REAP		S358A045401	\$23,780
Passed Through Michigan Department of Education:			
Adult Education - State Grant Program	84.002		
Basic Grant Programs			
ABE - Instruction (03-04)		041190-411083	3,577
ABE - Instruction (03-04)		041130-411083	166,259
ABE - Instruction (04-05)		051130-511085	184,713
Total Adult Ed. - State Grant Program			<u>\$354,549</u>
Special Education - Grants to States	84.027		
Flow Through (03-04)		040450-0304	1,810,355
Flow Through (03-04) Carryover		040450-0304	475,388
Flow Through (04-05)		050450-0405	2,548,978
Total Special Education - Grants to States			<u>\$4,834,721</u>
State Initiated Competitive (04-05)	84.027	050480-EOSD	40,000
Capacity Building Grant (03-04)	84.027	040490-CB	36,508
Capacity Building Grant (04-05)		050490-CB	27,796
Total Capacity Building Grant			<u>\$64,304</u>
Transitional Services (03-04)	84.027	040490TS	70,000
Transitional Services (04-05)		050490TS	70,000
Total Transitional Services			<u>\$140,000</u>
Total Special Education - Grants to States			<u>\$5,079,025</u>
Special Education - Preschool Grants	84.173		
Preschool Incentive (04-05)		050460-0405	110,435
Preschool Incentive (03-04)		040460-0304	110,645
Total Special Education - Preschool Grants			<u>\$221,080</u>
Special Education - Infant & Toddler Formula Grants	84.181		
Infant & Toddler (03-04)		041340-190	139,226
Infant & Toddler (04-05)		051340-190	122,086
Total Special Education - Infant & Toddler Formula Grant			<u>\$261,312</u>
Title V Innovative Education Grant	84.298		
Title V (04-05)		050250-0405	630
Improving Teacher Quality	84.367		
Title IIa (03-04)		040520-0304	488
Title IIa (04-05)		050520-0405	464
Total Improving Teacher Quality			<u>\$952</u>
Total Passed Through the Michigan Department of Education			<u>\$5,917,548</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$23,780	\$0	\$23,780	\$0
1,404	3,577	0	0	1,404	0
20,668	165,954	0	0	20,668	0
0	0	180,898	0	166,129	14,769
\$22,072	\$169,531	\$180,898	\$0	\$188,201	\$14,769
241,125	1,720,943	0	0	241,125	0
0	0	475,388	0	475,388	0
0	0	2,077,295	0	1,678,392	398,903
\$241,125	\$1,720,943	\$2,552,683	\$0	\$2,394,905	\$398,903
0	0	40,000	0	40,000	0
21,992	36,496	0	0	21,992	0
0	0	27,796	0	21,024	6,772
\$21,992	\$36,496	\$27,796	\$0	\$43,016	\$6,772
10,413	57,800	0	0	10,413	0
0	0	67,448	0	44,987	22,461
\$10,413	\$57,800	\$67,448	\$0	\$55,400	\$22,461
\$273,530	\$1,815,239	\$2,687,927	\$0	\$2,533,321	\$428,136
0	0	110,435	0	99,239	11,196
8,300	110,645	0	0	8,300	0
\$8,300	\$110,645	\$110,435	\$0	\$107,539	\$11,196
13,322	130,206	9,020	0	16,232	6,110
0	0	111,700	0	84,864	26,836
\$13,322	\$130,206	\$120,720	\$0	\$101,096	\$32,946
0	0	630	0	630	0
0	0	488	0	488	0
0	0	464	0	464	0
\$0	\$0	\$952	\$0	\$952	\$0
\$317,224	\$2,225,621	\$3,101,562	\$0	\$2,931,739	\$487,047

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Sanilac Intermediate School District			
Vocational Education - Basic Grants to States	84.048		
Perkins Secondary Regional Allocation (04-05)		053520-501211	\$150,598
Passed Through Huron Intermediate School District			
Tech-Prep Education	84.243		
Voc Ed - Tech Prep Implementation (04-05)		033540-2711	32,455
Passed Through Genesee Intermediate School District:			
Special Education Grants to States	84.027		
Special Ed Technology, Materials and Training (04-05)		050480	2,981
Vocational Safe and Drug Free Schools	84.186		
Title IV Safe and Drug Free		N/A	1,800
Total Passed Through Genesee Intermediate School District			<u>\$4,781</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$6,129,162
<u>U.S. EMPLOYMENT &amp; TRAINING ADMINISTRATION</u>			
Passed Through Thumb Area - Michigan Works			
Workforce Investment Act	17.259		
WIA (04-05)		N/A	50,000
WIA (03-04)		N/A	<u>50,000</u>
<u>TOTAL U.S. EMPLOYMENT &amp; TRAINING ADMINISTRATION</u>			\$100,000
<u>DEPARTMENT OF AGRICULTURE</u>			
Passed through Michigan Department of Education			
Summer Food Program	10.559	44SF05500	22,480
<u>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</u>			
Serve America	94.004		
Serve Michigan Grant (04-05)		88/05	24,500
Serve Michigan Grant (03-04)		64/04	<u>22,500</u>
Total Serve America			\$47,000
Passed Through Michigan Community Service Commission			
Learn and Serve America Grant	94.004		
Learn and Serve America Grant (04-05)		08/05	50,000
Learn and Serve America Grant (03-04)		03/04	<u>38,425</u>
Total Learn and Serve America Grant			<u>\$88,425</u>
<u>TOTAL CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</u>			\$135,425



ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$150,598	\$0	\$150,598	\$0
0	0	32,455	0	6,821	25,634
0	0	2,981	0	0	2,981
0	0	1,800	0	0	1,800
<u>\$0</u>	<u>\$0</u>	<u>\$4,781</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,781</u>
\$317,224	\$2,225,621	\$3,313,176	\$0	\$3,112,938	\$517,462
0	0	20,071	0	10,000	10,071
<u>8,622</u>	<u>23,622</u>	<u>16,909</u>	<u>0</u>	<u>25,531</u>	<u>0</u>
\$8,622	\$23,622	\$36,980	\$0	\$35,531	\$10,071
0	0	22,480	0	22,480	0
0	0	18,047	0	8,546	9,501
<u>9,932</u>	<u>17,951</u>	<u>4,444</u>	<u>0</u>	<u>14,376</u>	<u>0</u>
\$9,932	\$17,951	\$22,491	\$0	\$22,922	\$9,501
0	0	2,523	0	709	1,814
<u>16,369</u>	<u>16,369</u>	<u>22,056</u>	<u>0</u>	<u>38,425</u>	<u>0</u>
\$16,369	\$16,369	\$24,579	\$0	\$39,134	\$1,814
\$26,301	\$34,320	\$47,070	\$0	\$62,056	\$11,315

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Medicaid Assistance	93.778		
Medicaid Transportation		N/A	\$8,374
Medicaid Outreach		N/A	<u>75,935</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			<u>\$84,309</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$6,471,376</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$8,374	\$0	\$8,374	\$0
0	0	75,935	0	75,935	0
\$0	\$0	\$84,309	\$0	\$84,309	\$0
\$352,147	\$2,283,563	\$3,504,015	\$0	\$3,317,314	\$538,848

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

---

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

\$3,504,015

FEDERAL REVENUE RECOGNIZED PER THE GENERAL  
PURPOSE FINANCIAL STATEMENTS

General Fund \$275,810

Special Education Fund 3,006,372

Vocational Education Fund 221,833

TOTAL \$3,504,015

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$3,231,641
<u>Add:</u> Grants Passed Through Other Agencies:		
Passed Through Sanilac Intermediate School District Vocational Education - Basic Grants to States (CFDA 84.048)		150,598
Passed Through Huron Intermediate School District Tech-Prep Education (CFDA 84.243)		6,821
Passed Through Thumb Area - Michigan Works WIA (17.259)		35,531
Passed through Michigan Department of Education Serve Michigan Grant (CFDA 94.004)		22,922
Passed Through Michigan Community Service Commission Learn and Serve Michigan Grant (CFDA 94.004)		39,134
Passed Through US Department of Health & Human Services Medical Assistance (CFDA 93.778)		84,309
Direct Grant Passed Through Michigan Department of Education Rural Education Achievement Program (CFDA 84.358)		23,780
<u>Less:</u> Timing Differences between R-7120 and District Receipt of Funds		
Flowthrough (04-05)	(229,267)	
Transitions Services (04-05)	(16,338)	
Capacity Building (04-05)	(6,772)	
Preschool (04-05)	(11,196)	
Infant Toddler (03-04)	(6,110)	
Infant Toddler (04-05)	(7,739)	
Total		<u>(277,422)</u>
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$3,317,314</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT- LAPEER, MICHIGAN  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)  
84.027/84.173

Name of Federal Program or Cluster  
Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no current year findings.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no current year findings.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT- LAPEER, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

---

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2004-1) Special Education (CFDA #84.027/84.173)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Status:</u>	The district has implemented a standard time certification form and the appropriate employee or other supervisory employee completes the certifications every six months.
<u>Questioned Cost:</u>	None.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PROGRAM TITLE/ SUBRECIPIENT	FEDERAL CFDA NUMBER	SUBRECIPIENT PROJECT NUMBER	SUBRECIPIENT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>IDEA Flowthrough</u>	84.027	050450-0405	
Almont Community Schools			\$108,348
Chatfield School			18,250
Dryden Community Schools			47,468
Imlay City Community Schools			138,250
Lapeer Community Schools			441,144
North Branch Community Schools			161,140
Total IDEA Flowthrough			<u>\$914,600</u>
<u>Capacity Building Grant</u>	84.027	050490-CB	
Almont Community Schools			1,717
Dryden Community Schools			748
Imlay City Community Schools			2,176
Lapeer Community Schools			6,977
North Branch Community Schools			2,548
Total Capacity Building Grant			<u>\$14,166</u>
<u>Transition Services and Coordination Grant</u>	84.027	050490TS	
Imlay City Community Schools			1,950
Lapeer Community Schools			3,250
North Branch Community Schools			1,300
Total Infant & Toddler Grants			<u>\$6,500</u>
<u>Adult Education and Family Literacy</u>	84.002	051130-511085	
Huron Intermediate School District			8,500
Tuscola Intermediate School District			36,500
Family Literacy Center			23,000
Total Infant & Toddler Grants			<u>\$68,000</u>
<u>IDEA Preschool Incentive</u>	84.173	050460-0405	
Imlay City Community Schools			12,482
Lapeer Community Schools			47,678
North Branch Community Schools			23,840
Total IDEA Preschool Incentive			<u>\$84,000</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$1,087,266</u>



<u>DUE TO (FROM)</u> <u>SUBRECIPIENTS</u> <u>JULY 1, 2004</u>	<u>SUBRECIPIENTS</u> <u>PRIOR YEAR</u> <u>EXPENDITURES</u>	<u>CURRENT YEAR</u> <u>CASH TRANSFERRED</u> <u>TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u> <u>REPORTED BY</u> <u>SUBRECIPIENTS</u>	<u>DUE TO (FROM)</u> <u>SUBRECIPIENTS</u> <u>JUNE 30, 2005</u>
\$0	\$0	\$105,997	\$105,997	\$0
0	0	17,898	17,898	0
0	0	47,310	47,310	0
0	0	136,744	136,744	0
0	0	300,975	441,144	140,169
0	0	161,140	161,140	0
<u>\$0</u>	<u>\$0</u>	<u>\$770,064</u>	<u>\$910,233</u>	<u>\$140,169</u>
0	0	1,717	1,717	0
0	0	748	748	0
0	0	2,176	2,176	0
0	0	6,977	6,977	0
0	0	2,548	2,548	0
<u>\$0</u>	<u>\$0</u>	<u>\$14,166</u>	<u>\$14,166</u>	<u>\$0</u>
0	0	1,625	1,625	0
0	0	2,968	2,968	0
0	0	1,300	1,300	0
<u>\$0</u>	<u>\$0</u>	<u>\$5,893</u>	<u>\$5,893</u>	<u>\$0</u>
0	0	8,500	8,500	0
0	0	36,500	36,500	0
0	0	23,000	23,000	0
<u>\$0</u>	<u>\$0</u>	<u>\$68,000</u>	<u>\$68,000</u>	<u>\$0</u>
0	0	12,482	12,482	0
0	0	36,482	47,678	11,196
0	0	23,840	23,840	0
<u>\$0</u>	<u>\$0</u>	<u>\$72,804</u>	<u>\$84,000</u>	<u>\$11,196</u>
\$0	\$0	\$930,927	\$1,082,292	\$151,365

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PROGRAM TITLE/ SUBRECIPIENT	FEDERAL CFDA NUMBER	SUBRECIPIENT PROJECT NUMBER	SUBRECIPIENT AWARD AMOUNT
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Medicaid Assistance</u>	93.778	N/A	
<u>Medicaid Transportation</u>			
Imlay City Community Schools			\$387
Lapeer Community Schools			3,057
Total Medicaid Transportation			<u>\$3,444</u>
<u>Medicaid Outreach</u>			
Almont Community Schools			5,500
Chatfield School			1,686
Dryden Community Schools			2,570
Imlay City Community Schools			14,699
Lapeer Community Schools			14,855
North Branch Community Schools			11,645
Total Medicaid Transportation			<u>\$50,955</u>
<u>CORPORATION FOR NATIONAL COMMUNITY SERVICE</u>			
<u>Serve America Grant</u>	94.004		
<u>Serve America</u>			
Lapeer County MSU Extension		64/04	22,500
<u>Learn and Serve America Grant</u>	94.004		
<u>Learn and Serve Michigan</u>		88/05	
Lapeer County MSU Extension			<u>24,500</u>
<u>TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS</u>			<u><u>\$1,188,665</u></u>

<u>DUE TO (FROM) SUBRECIPIENTS JULY 1, 2004</u>	<u>SUBRECIPIENTS PRIOR YEAR EXPENDITURES</u>	<u>CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENTS</u>	<u>EXPENDITURES REPORTED BY SUBRECIPIENTS</u>	<u>DUE TO (FROM) SUBRECIPIENTS JUNE 30, 2005</u>
\$0	\$0	\$387	\$387	\$0
0	0	3,057	3,057	0
<u>\$0</u>	<u>\$0</u>	<u>\$3,444</u>	<u>\$3,444</u>	<u>\$0</u>
0	0	5,500	5,500	0
0	0	1,686	1,686	0
0	0	2,570	2,570	0
0	0	14,699	14,699	0
0	0	14,855	14,855	0
0	0	11,645	11,645	0
<u>\$0</u>	<u>\$0</u>	<u>\$50,955</u>	<u>\$50,955</u>	<u>\$0</u>
9,932	17,951	14,376	4,444	0
<u>0</u>	<u>0</u>	<u>8,546</u>	<u>18,047</u>	<u>9,501</u>
<u>\$9,932</u>	<u>\$17,951</u>	<u>\$1,008,248</u>	<u>\$1,159,182</u>	<u>\$160,866</u>



*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 31, 2005

To the Board of Education of  
Lapeer Intermediate School District

In planning and performing our audit of the financial statements of Lapeer Intermediate School District for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We noted no matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Lapeer Intermediate School District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following are informational items that we would like to bring to the District's attention:

#### FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Lapeer Intermediate School District, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- \* Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- \* Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- \* Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth



Lapeer Intermediate School District  
Page 2  
August 31, 2005

### State of Michigan – ISD Legislation

This past year has been filled with legislation that will impact Intermediate School Districts across the State of Michigan. A summary of some of the more relevant legislation is as follows:

- HB 5921 – ISD Governance – provides new legislation about the number of members allowed on an ISD board, the composition of the members of the board and the manner in which local boards of education are required to elect ISD board members. This bill also requires that ISD boards adopt specific travel and conflict of interest policies.
- HB 5850 – Penalties – provides for misdemeanor and/or felony penalties for violations of laws related to prohibited expenditures, violations of competitive bidding requirements and misuse of bond proceeds.
- HB 5839 – Millages – sets a duration on millages of not more than 20 years and specifies that the proceeds of vocational education millages and special education millages shall not be spent on anything other than operations. The bill also specifies that bond proceeds for vocational education programs and special education programs shall not be spent on anything other than facilities for those respective programs.
- HB 5457 – Audits – The Department of Treasury will randomly select 5 intermediate school districts every 2 years to be audited under this bill. The ISD will choose the auditor and notify Treasury who they are. The Department of Treasury is required to pay the costs of these audits. The audit have a minimum of 3 of the following 8 items audited:
  1. Whether the ISD is adhering to ethics policies.
  2. Whether the ISD is adhering to the conflict of interest policies of the district.
  3. Whether contracts have been modified in the audit period to add financial obligation to the ISD and the modification was not competitively bid.
  4. Whether the ISD complied with FOIA requests and costs charged were permitted under the act.
  5. Whether the ISD adhering to travel guidelines in policy or statute.
  6. Whether the ISD has accurately accounted for and reported salary and benefit information regarding ISD administrators.
  7. Whether the ISD has used public funds in violation of the law to pay for food, gifts, or other items that were not used for instructional purposes, as defined by the ISD.
  8. Whether taxes levied for vocational and special education were expended appropriately.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



Lapeer Intermediate School District  
Page 3  
August 31, 2005

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of Lapeer Intermediate School District' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS